

# THE LAND QUESTION

## TAXATION AND RATING OF LAND VALUES

*By*

*The Rt. Hon. Josiah C. Wedgwood, D.S.O., M.P.*

### OUR PROGRAMME.

*Labour and the Nation* (p. 42) sets out its Labour policy of this question as follows :

#### TAXATION AND RATING OF LAND VALUES.

Nor does the Labour Party forget the importance of securing a more adequate contribution to national needs from those other types of income which cannot, by any stretch of imagination, be regarded as a necessary payment for useful services, and to which, therefore, a prudent Chancellor of the Exchequer, concerned to balance his Budget without imposing unnecessary burdens upon production, will naturally turn. Of such incomes the rent of urban land is obviously a conspicuous example. Urban ground-values are patently and directly the result, not of individual effort or sacrifice, but of the growth of the activities of society itself—of the energy and skill of its workers, of the enterprise of its industrial pioneers, and, not least, of communal expenditure by Local Authorities and by the State. To allow the income which they yield to be appropriated year by year by property-owners, who “grow richer, as it were, in their sleep, without working, risking, or economising,” appears to the Labour Party, both on moral and economic grounds, to be clearly indefensible. It holds that the private ownership of land is not to-day in the best interests of the nation, and it intends to extend the area of public ownership with the utmost rapidity. But it sees no reason why, while land remains in private hands, its proprietors should retain for themselves the economic rent which it yields as a result of the labour of their fellow-citizens. It proposes, therefore, to recover for the community, part, at least, of that unjustifiable tribute, by securing that land-values make a special contribution to national and local revenues.

Public lands should be freely let to individuals, subject to proper use of the land. Rents, however, should be periodically revisable

*according to the unimproved Land Valuation, and full compensation given for all improvements if the tenancy is terminated.*

That the Land Problem lies at the root of our social ills is fully recognised by the Labour Party as the following quotations from the writings of the Rt. Hon. J. RAMSAY MACDONALD show :—

*" . . . . it is from the land that we derive all the primary raw materials. It is the soil which the agriculturist needs, it contains the ores and the minerals of all our vast mining, quarrying, smelting trades ; upon it must be built our factories, our warehouses, our houses ; it is still, with the exception of the high seas, the foundation of our transport industry. If it were closed against us, every industry in the country would be paralysed and we should die."*

*" Rent is a toll, not a payment for service. By it social values are transferred from social pools into private pockets, and it becomes the means of vast economic exploitation. Of this injustice, urban land values are pure examples, and the practice of holding up land unpenalised by rates, and of valuation for rating purposes which is much below purchase price, are evidences not only of the political power exercised by landowners, but of the survival to this day of privileges to shirk public responsibilities claimed by them when they had the power, and continued by use and wont. . . . Rent is obviously a common resource. Differences in fertility and value of site must be equalised by rent, but it ought to go to common funds and be spent in the common interest."*

The Rt. Hon. PHILIP SNOWDEN has stated the Labour Policy in many recent speeches—in Parliament and throughout the country—and in the Press. He says :—

*" Instead of basing local rating on land values, we tax the fruits of industry. . . . The taxation and rating of land values would secure public values for public purposes. It would relieve industry and agriculture, and liberate municipal enterprise. It would cheapen land and cheapen building, and encourage thrift and business enterprise. The rating of land values would be the key to open the door to freedom for our municipalities to go ahead with schemes for promoting the health and well-being of the people, and for relieving local industries of the burden of heavy rates." — " Reynold's Illustrated News," 29/8/1928.*

*" Whatever else the next Labour Government may attempt, it is quite certain it will deal with the question of the rating and taxation of land values." — " John Bull," 24/3/1928.*

## THE LANDLORD HOLDS THE PERMIT TO USE THE EARTH. LABOUR PROPOSES TO LOOSEN HIS GRIP BY TAXATION.

A national Land Value Tax is required not merely to get a universal valuation of land unimpeded by the House of Lords, but also to cheapen land, strike at the root of monopoly and obtain an immediate transfer of some part of public burdens from industry to

the value of the land, which should be public property. The valuation, made for the national Land Value Tax, would provide the basis also for the rating of land values by local authorities. In fact, experience shows that the most direct and practical way to get local rating of land values—and the corresponding reduction of rates on houses and improvements—is through a Budget Tax at a flat rate in the £ on the value of all land, rural and urban. Local authorities, themselves, cannot take action until Parliament itself has changed the law of rating.

It cannot be too often stated that the Land Value Tax and especially the Land Value Rate are to take the place of present taxes and rates which fall largely on houses and farm buildings, on the employed and on consumers. In many of our towns to-day the rates amount to a tax of 50 per cent. on the value of the house, and add 50 per cent. to the rent that must be paid. We *want to unrate houses to get them cheaper.*

Taxing things usually makes them dearer. Tax wheat, and bread becomes dearer; the eater, the consumer, pays the tax. Tax boots, and boots will cost more; the wearer, the consumer, pays the tax. But the curious thing is that this general rule does not apply to land. On the contrary, a tax on land makes land cheaper for everyone—except the landlord. And the reason for this is simple.

The taxation of anything made by man—of any goods produced by labour—tends to diminish production and so increase price. But land is *not produced*; it is there, fixed in quantity and cannot be either increased or decreased. Taxation, therefore, cannot reduce the supply of it; rather will *taxation increase the supply of land available for use and thus reduce the price and rent.* It will be more difficult for the owner to keep land idle or houses empty if he has to pay for the anti-social privilege of withholding them, thus creating unemployment and overcrowding. Moreover, by taxing the value of all lands and minerals, whether used or not, the offers of alternative lands for use will be increased through the pressure of competition to sell, and so all lands will be cheapened.

## GRADUAL STATE APPROPRIATION OF RENT.

By the taxation of Land Values we mean, in effect, the appropriation of the economic rent of land for the benefit of the community. We want, gradually, to divert to the public pocket this constantly growing stream of *monopoly rent which goes at present into private pockets.* We want to divert it to the use of the community, not just because it *is* constantly growing—we should want to divert it even if it were decreasing—but because it rightly belongs to the community. I say “gradually to divert,” for the *gradual transference of taxation to the value of land* is put forward as a practical proposition ripe for enactment and in keeping with the spirit of the times.

## RENT, THE CREATION OF THE STATE.

If we look into this land question we shall see that *the value of land everywhere is an exact measure of the benefits conferred on the owner by the State*. By the State we mean not only the British Government, but the British people, our soldiers and sailors, our municipal councillors, our inventors, our workers, and with them British Trade and British Capital.

Why, for instance, is land in a town like Sheffield more highly rented than land on the High Peak? Because it is nearer to 500,000 people; because the railways are close at hand, and the best trams in England run down the streets; because men work day and night over and under ground, and must spend their money near their work. But land even on the High Peak is worth something, and even that little something has been created by the community. The Army and Navy keep us safe from invasion, and so give value to the High Peak lands. The sheep on it are not stolen because of our laws and police. The railway station may be a long way off, but State roads lead to it, and when the sheep are on the railway there are millions waiting to eat them and to pay the breeder. Take away these factors—take away the community and the benefits conferred by the State—and Land Values on the High Peak would be even as Land Values are now in Babylon.

The man who owns this land need do nothing. He may graciously permit someone else to use it and himself receive from the worker a rent which he owes to the community, but puts in his own pocket. *As the community increases or improves in efficiency so rent increases. Rent, in time, silently absorbs all improvements and economies.*

Let me give a few examples :

GOLDERS GREEN EXAMPLE.—A Land Company advertisement in the Daily Press of 22nd July, 1912, contained the following statement :—

“ Immense profits have been made from the remarkable rise in freehold values at Golders Green. Land is to-day worth ten times the price paid a few years ago. The great increase is due to the wonderful natural advantages of Golders Green as a residential district and to its close proximity to the heart of London. High, healthy, and sunny; on the “Underground” it is only 15 minutes from Charing Cross, and there are over 300 trains daily.”

The advertisers write as though their land company had put Charing Cross and the Underground where they are for the benefit of the people. But they meant that the people could have their building land at “ten times the price paid a few years ago.”

WORKMEN’S FARES AND ALL-NIGHT SERVICE.—Some people argue that workmen get special advantages from the workmen’s train service which the railways provide. That is not always so. The

General Manager of the G.E.R., giving evidence before the House of Commons Select Committee on Workmen's Trains, on 20th July, 1904, said :—

" He had cases where guards, signalmen and others had complained that their rents had been largely increased owing to the demand created by the increased train facilities, and in consequence appealed to the Company for increased wages. The increase in rents in Walthamstow had been most noticeable after the all-night service had been put on."

THE EDGWARE EXTENSION.—The Hendon-Edgware extension of the Hampstead Tube was opened on Monday, 18th August, 1924. It has cost £12,500,000 and cuts through to a rural district within seven miles of Marble Arch. The Company announce an eight-minute service between Edgware and Moorgate, and a four-minute service between Golders Green and Charing Cross.

How this improvement was anticipated by the local land speculators is shown in the following reports in *The Times*.

On the 27th July, 1922, it was stated : " Edgware building land almost adjoining one of the proposed stations on the 'tube' railway extension from Golders Green, will be offered in lots of from twelve to eighty-three acres, freehold, without restrictions, on behalf of the trustees of the late Admiral F. H. Smith. Some of the sites abut on the main road from London to St. Albans. The sale seems to afford an opportunity to investors to participate in the great rise in site values which is certain to happen through railway developments at Edgware."

ANOTHER THAMES EMBANKMENT.—Captain Swinton, as reported in *The Observer* of 16th July, 1922, discussed projects for improving the south bank of the Thames. " Extending from the new County Hall for half a mile or more to the east beyond Waterloo there are a hundred acres crying out for higher development, and the only thing that will make this really possible will be the building of a new Charing Cross Bridge. Such a development of this section of South London lying between Westminster and Blackfriars, and going back some way beyond Waterloo Station, would increase the value of the property five times."

He puts the cost at £14,000,000. If the acres are "crying out" for development, their plaint will be nothing to the yell of delight on the part of the landlords should this scheme go through. But we shall hear their curses loud and deep if their unearned gains (belonging rightfully to the public) are effectively appropriated for the public by a simple measure for the Taxation of Land Values.

NEW ROADS AND LAND VALUES.—It has been thought that something can be done for the unemployed by spending public money on public improvements. One scheme is to "find work" on the construction of new roads, but here is where the money goes. I take the following from the *Yorkshire Evening Post*, of 17th December, 1923 : " Some of the choicest building sites about Leeds will be ripe for development with the construction of the new ring

road. Happy the fortunate owners of land contiguous to that road. . . . There are fortunes to be reaped sooner or later in the land which the corporation roads are now developing. It must be so having regard to the fact that land which for agricultural purposes is only worth from 3d. to 6d. per yard, at once appreciates as building land to between 2s. 6d. and 5s. a yard."

A similar story was told at a Conference in my own constituency in Newcastle-under-Lyme on 18th October, 1923, at which a new motor-way was proposed. Lord Montague, the speaker said, "one advantage of the motor-way would be the increase in the value of the land through which it passed. Round London, where new road exits had been made, land has advanced in prices from £50 an acre to £200 and £300 an acre."

**AN UNEMPLOYMENT SCHEME IN EDINBURGH.**—A proposal to spend £60,000 "in relief of unemployment" was approved by the Edinburgh Town Council at their meeting on 17th November, 1921. The money will be spent on the Craigentinny estate, noted for its crops of green fodder and mentioned in that respect by Kropotkin in his "Fields, Factories, and Workshops." The land had been for many years irrigated by open sewage. It was proposed to construct an underground sewer in place of the open canals, but the Town Council could not start operations without first coming to terms with the landowners, to whom they had to give £5,000 "for compensation of loss of irrigation and of their rights to the foreshore."

Many councillors protested. If there was a nuisance they could have it removed at the expense of the landowners. They did not believe in the corporation being mulcted to pay for improvements which were merely improvements for the proprietors, and then £5,000 more. Treasurer Deas was quite frank. The greatest advantage of the scheme would be to the land of Craigentinny. The proprietors would have 70 to 80 acres of land made available for building purposes which could not be used in the present circumstances.

Another councillor, Mr. Douglas Elliott, said that until they altered the law of the land the proprietors stood to gain when the town made an improvement. They were taking away the irrigation altogether, which was equal in value (annually) to £8 an acre—to which Treasurer Deas replied that the (annual) value returned in the valuation roll was £4 an acre.

To relieve unemployment we have to make fortunes for landowners, enabling them to charge still more for the privilege of using the earth. First a gift of £5,000 and then the conversion of the land into an extensive building site. The ground before development had been valued at an annual sum of £4 per acre, and as meadow land, paid rates (at 7s. 9d. in the £) on three-eighths of that value. Seventy acres formerly charged with local taxation amounting to £40 a year will be held against the builders of houses at a total (or feu duty, as they call it in Scotland) annual sum of at least £3,500, equivalent to a capital value of £70,000.

This is how all schemes for relieving unemployment are working out. At public expense, men are put to work which only increases the monopoly price of land and makes production and employment still more difficult to achieve.

### JUSTICE OF THE TAXATION OF LAND VALUES.

It is no good shutting our eyes to the fact that, by a tax or rate on Land Values, we are interfering with the "right" accepted at present and enjoyed by certain individuals, to keep land idle—whether it be for sport, privacy, or speculation. We are ruining the value of a privilege that they call "property" without compensation. They have, at present, the "right" to keep men idle—the right to force workers to go to masters and beg and compete for jobs. We deny that "right."

Compensation for the abolition of slavery receives short shrift in the 20th century. But we have not yet really succeeded in abolishing slavery in this country of ours. The landless worker is still half slave, begging piteously for a job of work. If we can show that his real emancipation depends on the abolition of the private ownership of land, we discover a human right that transcends the claim of privilege in such ownership. Expediency and justice are here at one. *Injustice consists, not in the destruction of privilege, but in its continued existence.*

### HOW WE HELP THE OWNERS TO CREATE UNEMPLOYMENT.

The men who own the land round a growing town, land which is wanted for houses and factories, and who, instead of putting the land to the best possible use, withhold it and let it for grazing until their fancy price is reached, these men are strangling the prosperity of the town and country; they are economically bad citizens. One may call them more, for are they not condemning thousands to be born and bred in slums? Yet the worse their citizenship, the more detestable the result of their action, the less they are asked to contribute to the State to alleviate the conditions that they have created.

Coal pits are at present often closed "because of the rates." But if the rates were levied on un-gotten minerals instead of on output, then the pits would be opened "because of the rates." Another primary trade would find steadier employment, and there would be more sacrifices made by owners to keep the output alive, even at "unremunerative prices."

Agricultural land should be the greatest steadier of all. Agricultural land ought to be a sort of reservoir for labour—the free alternative of the harassed wage-earner. Keir Hardie aptly pointed out that what enabled the Kaffirs on the Rand to withstand the reduction of pay attempted after the South African War was, not a strong Trades Union, nor legislative effort, but the possibility of alternative work on the land to which the Kaffirs had free access.

Easier access to land, cheaper land—here we have the chance of productive work, the stabiliser of trade, and a safety base from which the worker can bargain as a free man.

### URGENCY FOR ACTION.

No permanent improvement can be made in the condition of the people so long as all benefits translate themselves into an increase of private rents and monopolies. *State appropriation of Land Values must precede all real reform.* It is the necessary preliminary to all the other important reforms now before the country, and one on which their success depends. Other legislation is increasingly wasted until this reform is effected.

The more we press *Housing Schemes*, the more will the prices of land and bricks and slates and the other raw materials rise to squeeze the public. We are being driven to *emigrate* our young folk to Australian land; and all the time almost one half of England, which is capable of producing food and other necessities, is abandoned to pasture, and another quarter is wood, copse, park, and waste land. One of the best known palliatives for exceptional unemployment is the *opening up of new roads* and the widening of old ones, the laying out of parks and playgrounds, the planting of tree belts. *New Garden Cities* are springing up. Electric traction and the cheap motor are dispersing the homes of the town worker all over the countryside. And ever the monopolist is sucking the blood out of the improvement. The required land has first to be bought from the monopolist, and when he has been paid his fancy price, then he proceeds to pocket the advantages that spring from the expenditure of the public money. If the benefit of the increased land value reverted to the public in tax and rate, many of these schemes would pay for themselves, and cost not one penny to the public.

Palliative Social Reform has been going on for years now, till the country wearies of it. *Things are as they were, or worse*, because the virtue was sucked out of the reforms. Either they became part of the machinery of poverty, or they wilted away and died under the blight of the inevitable power of landlordism.

*Palliatives will only remain beneficial if we go to the root of the evil and stop the rot.* That is why the land question is urgent, and why it is the most practical of politics.

### PRACTICAL POLITICS.

Obviously the first practical step towards any land reform is to get *a general and public valuation of land* throughout the kingdom, both for urban and rural areas. The valuation of land having been made, a new Rating Law should be enacted providing that a given proportion of local rates (say one-fourth or one-third) shall be levied on land value instead of on the old rental value of the land-plus-building. The law should provide also that any Local Authority be empowered, if it so decided, to levy on land value what further

proportion of the rates (over the specified minimum) it saw fit. The buildings and machinery and improvements on the property would be disregarded—*the site value alone would count*. The better the farm was equipped, the better the house ; the better the factory you put up, the more you benefited a town or parish by applying capital to the land—the greater would be employment and production. Your rate would remain the same whether you used the land for a factory or a dump heap.

This change in local taxation will help in the country as in the towns. At present every effort at intensive cultivation is obstructed by the penalising rate that is immediately applied to the increase in production. *The rates demanded from the smallholder* per acre of land occupied average *five times as much* as the rate per acre demanded from the large farmer adjoining ; and the smaller the holding, the more intensive the cultivation, the greater becomes the disparity. Yet the land value per acre of the big farm and of the small holding is probably about the same.

### WHERE LAND VALUES ARE ASSESSED AND TAXED.

The following countries do already levy some tax or rate on the selling value of land apart from improvements :—

	TAX.	URBAN RATE.	RURAL RATE.
U.S.A. . .	.. ..	No.	Some towns No
Denmark . .	.. ..	Yes	Yes
Hungary . .	.. ..	No	Some towns No
Manitoba . .	on unused land	—	Yes Yes
Alberta . .		—	Yes Yes
Saskatchewan . .		—	Yes Yes
British Columbia . .		—	Yes Yes
New Zealand . .	.. ..	Yes	Most towns Many counties
Queensland . .	.. ..	Yes	Yes
New South Wales . .	.. ..	No	Yes
Victoria . .	.. ..	Yes	Some towns Some counties
S. Australia . .	.. ..	Yes	Some towns No
W. Australia . .	.. ..	Yes	Some towns Yes
Tasmania . .	.. ..	Yes	No
Australia (Federal) . .	.. ..	Yes	—
Transvaal . .	.. ..	No	Yes
Cape Province . .	.. ..	No	Some towns No
Natal . .	.. ..	No	Durban No
Kenya . .	.. ..	No	Nairobi No
Nigeria . .	.. ..	Full Rent	—
Ceylon . .	.. ..	No	Colombo, on unused land No
Malay . .	.. ..	No	Singapore No
Germany . .	.. ..	One State	No No
Uruguay . .	.. ..	Yes	No No
Brazil . .	.. ..	Several States	Several towns No
Argentine . .	.. ..	One Province	Several towns No

In Denmark the whole country is valued showing the value of land apart from improvements. The first general valuation of this kind was made in 1916, and it has been repeated periodically. The national land value tax was made law in 1922 and took effect

on January 1st, 1924. Now the Danish Socialist Government has just passed an Act to levy local rates on land values in both town and country. It starts with a minimum rate which is compulsory and gives the local authorities power to levy up to 3½d. in the £ capital value in the towns, and 8d. in the £ in the counties and parishes.

In the U.S.A. the assessments are made so as to show separately the value of land (whether used or not) apart from improvements, and in some cities such as Pittsburgh the tax on the land value is twice as high as the tax on improvements.

#### COMMON OBJECTIONS TO LAND VALUE TAXATION.

1. That a tax or rate upon Land Value would be passed on to the occupier.
2. That it would mean confiscation.
3. That it would lead to overcrowding.
4. That there is not enough Land Value to meet even the local rates.
5. That it is impossible to discover this hypothetical "Land Value."
6. That rich men would buy up more land if it were cheap, and hold more idle.

Objections 1 and 2 are, of course, mutually destructive. If the tax can be passed on there is no confiscation. If there is confiscation the tax must be supposed to settle and remain on the landlord. Every action and protest of the landlord class show clearly enough that they know that the tax cannot be passed on to the occupier. If anyone desires authority to convince them, we have :

"A tax on that part of the annual value of land which arises from its position, its extension, and its yearly income of sunlight, heat, rain and air, cannot be settled anywhere except on the landlord."—MARSHALL.

Even if the tenant occupier himself pays the rate in the first instance, still the landlord will pay in the end.

"The real incidence of a rate depends mainly on the nature of the property in respect of which it is levied, and is but little affected in the long run by being primarily charged on this or that person. The real ultimate incidence of a site value rate would be upon the owners of site value in any case, even if it were simply charged upon occupiers as the present rates are. Accordingly we regard the question of the party on whom the rate is to be charged as a question of sentiment and temporary convenience."—LORD BALFOUR OF BURLEIGH, in the Minority Report of Royal Commission on Local Taxation.

Objection 3, which suggests overcrowding, should really suggest the reverse. Anything which makes land cheaper will enable the house builder to provide more land with the house at the same price as he would have to pay now. The idea at the back of the objection is the old one, that a tax on Land Value will make land more expensive. If that were so, we should meet with no opposition.

Objection 4 suggests that, however desirable the change of rating might be, there is not enough Land Value to meet the rates. One might reply that we are only changing the standard by which each ratepayer's contribution is measured, and are not concerned with whether we take all the Land Value, or more, or less. But, in fact, of course, the value of all property is always that which it will sell (or let) for *subject to the existing rate and Tax.*

Objection 5 says that Land Value cannot be discovered. But people who deal in land find no difficulty in discovering Land Value. They find it easier than estimating the value of improvements. How often has an agent said to me, "If you buy that house you can sell off half the land, it will fetch £5 a foot frontage"; or "You can buy another half acre at 10s. a yard." With merely the map before them, without ever visiting the property, they can estimate what land is worth, or what the un-gotten minerals are worth. It is when estimating the value of improvements that they have to go and count and measure and calculate; and then they will all differ one from another.

There is nothing "hypothetical" about Land Value. In Denmark the valuation is made periodically for the whole country, urban and rural, showing separately the land value of each piece of land; so also in New Zealand, Queensland, New South Wales, and other Australian States, in the Cape Province, Transvaal, and the Western Provinces of Canada. In many cities in the United States of America the same kind of valuation is made, and as an instance, the established and agreed value of land in New York City (apart from improvements) is more than £1,000,000,000. If that is the Land Value of New York City, ascertained as it is year by year, and published in the official records and reports, the Land Value of London cannot be much below that sum. And the aggregate Land Value of the whole of Great Britain may be put down at about £4,000,000,000. The initial tax on that value, the national tax of 1d. in the £, required to set up valuation and prepare at once for the further taxation of Land Values as proposed in this pamphlet, would yield about £16,000,000 in the first year of operation. How this revenue should be applied, or which of existing taxes or existing local rates it should replace, will be a matter for the Government of the day to decide. The main thing is to get the tax—and the valuation—at work.

Objection 6, that really rich men might still buy up cheap land and hold it idle, is answered by the obvious fact that it will at least be more expensive for them to do so. But who would dare? Why, if we ever have the power to enact such legislation, "rounding off estates" will cease to be a popular pastime. Land will only be cheap for those who are prepared to use it. The drones will fly when the attack gets home. Nor will there be so many rich men to attempt the amusement. Inordinate wealth is generally based upon the ownership of a monopoly; and even inordinate wealth will be helpless when men can work for themselves.